

Message Text

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21

ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 L-03

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4764

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E.O.11652: N/A

TAGS: EPAP

SUBJECT: BATEMAN LETTER TO IRSG EXECUTIVE COMMITTEE
MEMBERS AND MOVEMENT TOWARD PRODUCER CARTEL

REF: STATE 191796

1. WE DISCUSSED REFTTEL WITH DR. BATEMAN AUGUST 16TH AND REQUESTED CLARIFICATION OF HIS VIEWS ON COMPOSITION OF SPECIAL PANEL PROPOSED IN HIS LETTER. BATEMAN STATED THAT SUGGESTION OF SPECIAL PANEL ONLY RAISED FOR DISCUSSION IN ORDER TO CLARIFY IRSG MEMBERS' POSITIONS ON ROLE OF IRSG IN FORTHCOMING UNCTAD MEETING ON RUBBER. WHEN INVITATIONS ARE ISSUED FOR THE MEETING THEY WILL GO SPECIFICALLY TO GOVERNMENTS, WITH THE IRSG BEING INVITED AS AN OBSERVER. IRSG MEMBERS WILL ATTEND AS INDIVIDUAL MEMBERS OF UNCTAD, LEAVING IRSG TO BE REPRESENTED EITHER BY BATEMAN ALONE AS THE SECRETARY GENERAL OR BY A SPECIAL PANEL CHAIRED BY THE SECRETARY GENERAL.

2. BATEMAN PREFERS LATTER AS BEING BEST WAY TO MAINTAIN AN ACTIVE IRSG ROLE IN ANY FUTURE RUBBER AGREEMENT. AS BATEMAN SEES IT, THE PANEL WOULD BE MADE UP OF PROFESS-
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IONALS REPRESENTING THE NATURAL RUBBER PRODUCERS (NR),

THE SYNTHETIC RUBBER PRODUCERS (SR), THE MANUFACTURERS AND THE TRADE. HE RECOGNIZES THAT THE PANEL WOULD HAVE TO BE CAREFULLY BALANCED, WITH NR REPRESENTED BY SOME NON-ANRPC MEMBER SUCH AS LIBERIA, THE SR BY THE EASTERN EUROPEANS, THE MANUFACTURERS PROBABLY BY THE U.S., AND THE TRADE PERHAPS BY FRANCE.

3. HE ADDED THAT THE PANEL'S ROLE WOULD BE TO INJECT AN AIR OF PROFESSIONALISM INTO THE UNCTAD DEBATES, HOPEFULLY BY INSURING THAT PRICE RELATIONSHIP ARGUMENTS ARE MADE ON AN INFORMED AND REASONABLE BASIS. BATEMAN ARGUED THAT PRICES OF OTHER COMMODITIES ARE DETERMINED ON AN HISTORICAL BASIS, BUT WITH RUBBER THE NR PRICE MUST ALWAYS BE MAINTAINED ON A RATIONALLY COMPETITIVE BASIS WITH SR. HE ALSO FEELS THAT IRSG IS THE BEST FORUM IN WHICH TO DETERMINE THE IDEAL SIZE FOR A RUBBER BUFFER STOCK. THE SIZE OF THE BUFFER STOCK FINALLY ACCEPTED WILL, IN BATEMAN'S VIEW, BE ONE OF THE KEYS TO THE UNCTAD COMMON FUND.

4. WE ALSO ASKED BATEMAN FOR HIS VIEWS ON THE PRESS REPORTS THAT THE ANRPC HAD REACHED AGREEMENT TO FORM A PRODUCERS CARTEL. HE UNDERSTANDS THAT GENERAL AGREEMENT HAS BEEN REACHED ON A PRICE STABILIZATION SCHEME. HE HAS HAD INDICATIONS FOR SOME TIME THAT THE PRODUCERS WOULD LIKE TO GO IT ALONE, BUT PROGRESS HAS BEEN HINDERED BY THE PROBLEM OF FINANCING BUFFER STOCK. MALAYSIA, WHICH BATEMAN DESCRIBES AS PRIME MOVER IN ANRPC, APPRECIATES NEED FOR LARGE BUFFER STOCK AND IS PUSHING FOR ONE OF 300,000 METRIC TONS. THIS HAS CAUSED FRICTION BETWEEN MALAYSIA ON ONE SIDE AND INDONESIA AND THAILAND ON THE OTHER. THE LATTER FEEL A BUFFER STOCK OF 100,000 TONS WOULD BE SUFFICIENT. ACCORDING TO BATEMAN, THE BUFFER STOCK WOULD BE CONSTITUTED WITH "X" TONS, EMPLOYING A BUFFER STOCK MANAGER UNDER INSTRUCTIONS THAT 50 PERCENT OF THE STOCK MAY BE BOUGHT FREELY AND THE OTHER 50 PERCENT PURCHASED ON A COUNTRY-BY-COUNTRY PERCENTAGE CONTRIBUTION BASIS.

5. AT PRESENT PRICE OF RUBBER, FINANCING A BUFFER STOCK LIMITED OFFICIAL USE

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OF EVEN 100,000 TONS WOULD APPEAR TO BE WELL BEYOND CAPABILITY OF ANRPC. THUS, BATEMAN HAS CONCLUDED THAT IN THE END, ANRPC WILL HAVE TO TURN TO UNCTAD FOR FINANCING EVEN THOUGH THIS WILL MEAN HAVING TO INCLUDE THE CONSUMERS IN A NEW AGREEMENT. HE SAID HE THOUGHT THAT UNCTAD WILL READILY AGREE TO THE PRODUCERS' INITIATIVES IN THAT MOST OF THE WORK ON THE AGREEMENT HAS ALREADY BEEN COMPLETED. HE HAS GAINED IMPRESSION UNCTAD SECRETARIAT IS SNOWED

UNDER AND WOULD WELCOME OPPORTUNITY TO MOVE RAPIDLY TO
CONCLUSION OF AN INTERNATIONAL RUBBER AGREEMENT, THEREBY
SHOWING SOME PROGRESS ON THE IMPLEMENTATION OF THE
NAIROBI RESOLUTIONS.

ARMSTRONG

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